
STATE SCHOOL AID UPDATE

Michigan Department of Education

December 2003

Vol. 12 No. 3

DECEMBER SCHOOL AID PAYMENT PRORATED

The December state school aid payment to local and intermediate school districts, including public school academies has been prorated. Local districts and public school academies will see a line on their December State School Aid Financial Status Report labeled “11.3 **LEA/PSA** Proration,” where 11.3 is a reference to Section 11(3) of the State School Aid Act. Intermediate school districts will see a line labeled “11.3 **ISD** Proration.” These line items will appear on the status report under the heading “Current Year Allowances,” and will show a negative current year allowance that reflects the amount of state school aid that will be deducted evenly from the remaining nine school aid payments from December 2003 through August 2004.

As described in the November 2003 State School Aid UPDATE, proration for local districts and public school academies is calculated differently than for intermediate school districts for FY 2004. Pursuant to the language in Section 11 of the State School Aid Act, local districts and public school academies will have their school aid payments prorated on an **equal per pupil** basis. Intermediate districts will have their school aid prorated on an **equal percentage** basis. The amount of the local district and public school academy per pupil reduction is estimated at \$196. The percentage reduction for intermediate districts is estimated at 7.15% of unprotected allowances. The proration factors result in approximately a 3% reduction of the **total** amount of FY 2004 state school aid due to each local district, public school academy, and intermediate school district. The per pupil reduction value of \$196 and the percentage reduction value of 7.15% are calculated using an estimated school aid revenue shortfall of \$349.5 million. It is possible that the \$349.5 million revenue shortfall could be adjusted (see related item below on Senate Bill 556).

Local districts and public school academies can verify the amount of proration on their status report by multiplying \$196 times the number of pupils (FTE) on the status report line labeled “State Aid Membership.” Intermediate school districts can verify the amount of their proration by multiplying the amount of their unprotected current year categorical allowances by 7.15%. Those intermediate school district allowances that are protected from proration are: Section 11f (Non-Durant Settlement), Section 11g (Non-Durant Debt Service), Section 22a (Proposal A Obligation), Section 31d (School Lunch), Section 51a(2) (ISD Special Education Headlee), Section 53a (Court and State Agency Placed Pupils), and Section 56 (ISD Special Education Millage Equalization).

SENATE BILLS 852 AND 556 PASS SENATE

Senate Bill 852, which passed the Senate on Wednesday, December 10, 2003, would delay the scheduled rollback of the income tax to 3.9% to July 1, 2004. Related legislation, Senate Bill 556, passed the Senate unanimously on Thursday, December 11, 2003. Senate Bill 556 would recognize additional revenue for FY 2004 school aid, eliminate appropriations to two categorical programs, and increase the appropriation to one categorical program. Sources of the additional revenue to the school aid fund include: Income Tax Pause Revenue (\$45.6 million), additional Quick Keno and Break-open Games revenue (\$10 million), Personal Property Tax Amnesty Program (\$20 million), and Increased Tax Collection Enforcement (\$28.6 million). The FY 2004 appropriation of \$1 million apiece for the Section 108 (Program for Adult Learning) and Section 68 (Career Development) would be eliminated. A lapse of \$22 million from the Section 98b Freedom to Learn Program is assumed in this budget. The Section 26a (Renaissance Zone) appropriation would increase by \$4.7 million. These bills could be taken up in the House during the week of December 14.

If Senate Bill 556 is enacted into law, the FY 2004 per pupil proration of \$196 for local districts and public school academies could go down. Estimates of what the revised per pupil reduction would be range from \$90 to \$100.

STATE SCHOOL AID DATA UPDATED FOR DECEMBER

The December state school aid payment is the 3rd payment of the year and reflects 27.27% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on December 19th because the 20th is a Saturday.

Taxable value figures used to calculate the December payment represent the tax year 2003 values provided by the county treasurers on the form DS-4410-A. The Department has incorporated the values from any revised DS-4410-A forms received. Questions concerning the taxable value figures should first be directed to the county treasurer. The **membership blend** used to calculate the December payment incorporated all Single Record Student Database (SRSD) pupil (FTE) counts released to the Department as of December 10, 2003, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information. The membership blend for most districts and public school academies (PSAs) for FY 2004 is 20% of the February 12, 2003 supplemental count and 80% of the September 24, 2003 pupil count.

DELINQUENT REPORTS RESULT IN THE WITHHOLDING OF STATE AID

A few districts and PSAs have failed to comply with the November 15th submission deadline for the **Form B - Annual Comprehensive Financial Report** and the **financial audit reports**. The financial penalty for non-compliance is a 100% withholding of state aid until the reports are received. Therefore, for the districts with outstanding reports as of December 11, the December payment has been withheld. Payments will continue to be withheld until all reports are received. A total of 7 districts and PSAs have had this payment withheld. Questions regarding the *audit reports* may be directed to Kathy Weller, Office of Audits, (517) 335-6858, or e-mail: WellerK@Michigan.gov. Districts with questions pertaining to the *Form B* may contact Glenda Rader, State Aid & School Finance, (517) 335-0524, or e-mail: RaderG@Michigan.gov.

It is important to note that in all of the above cases, the delinquent districts were contacted and encouraged to file the reports in order to avoid an interruption in their state aid. Nevertheless, there remain a few noncompliant districts. We appreciate the cooperation of all those who have filed their reports in a timely manner.

PRIOR YEAR ADJUSTMENTS IN THE DECEMBER PAYMENT

Prior year state school aid **adjustments** based on **revised taxable values and pupil counts** have been processed for the December payment. For fiscal years 2001, 2002, and 2003 these revised values generate an adjustment to the district's Proposal A Obligation amount and appear on page two of the State School Aid Financial Status Report in the Prior Year Adjustment Section. They are labeled "22a XXXX Proposal A Obligation" where XXXX is equal to the fiscal year of the adjustment. For example, a revised taxable value for the calendar year 2000 tax roll affects the FY 2001 state school aid calculation and would result in an adjustment labeled "22a 2001 Proposal A Obligation." Updated spreadsheets are available out on the web to help districts reconcile to these adjustments at www.michigan.gov/mde/0,1607,7-140-6530_6605-20450--,00.html. Glenda Rader, (517) 335-0524 or e-mail: RaderG@Michigan.gov

SECTION 20(19) PAYMENTS CONTINUE IN FY 2004

Pursuant to the language in Section 20(19), districts which received FY 2002 Section 32e Small Class Size funds continue to have their FY 2003 foundation allowance adjusted by the quotient of the amount of their FY 2002 Section 32e allowance divided by the district's FY 2002 membership. A district qualifying for a foundation allowance adjustment under Section 20(19) must use the funds resulting from this adjustment for purposes allowable under former Section 32e as in effect for FY 2002. An exception to this requirement is that a school or schools operated by a district qualifying for a foundation adjustment under this subsection that have met the adequate yearly progress standards of the No Child Left Behind Act in both mathematics and English language arts may submit an application for flexibility to the Department. The per pupil foundation adjustment is displayed on page 1 of the State School Aid Financial Status Report in the box with the per pupil foundation amount and is labeled "20(19) Foundation Adjustment." The total amount of the foundation allowance adjustment for the Section 20(19) funds is displayed in that box as well. This adjustment affects the value of the state per pupil (STATEPP) on page 2 of the State Aid Financial Status Report under the section labeled "Other Current Year Calculation Information" on the line labeled "20 Foundation Grant." The funds are included in the corresponding amount on that line. Dan Hanrahan, (517) 335-0521, or e-mail: HanrahanD@Michigan.gov

GENERAL INFORMATION

C The proration factor for Section 31a - At Risk funding is \$98.8144821027 per pupil. The proration factors for Sections 56 and 62 are .7929111644 and .8499645239 respectively.

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov